

June 1996

Grocery

MARKETING

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People power

**Supermarkets tackle
the turnover issue**

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Grocery

MARKETING

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FEATURES



6/People power

Employee turnover—and its associated costs—is a burning issue for many supermarket retailers; one at which they often simply wince. There are remedies, however, for everything from hiring to training to motivating.

12/FMI Speaks '96: Facing down the toughest competition

Supermarket executives fear each other more than outside competitive forces, even as efficiency efforts begin to pay off. Meanwhile, time-pressed customers want more than they're getting, and retailers need to take heed.

16/Beyond the margin

Supermarketers from around the world descended upon Chicago last month, searching out ways to compete and survive in the years ahead. It will take much more, they were told, than cutting costs and saving money.

20/Bringing home the excitement

While the FMI show provided its own form of entertainment, it's now up to retailers to incorporate some of that excitement into their own operations. After all, shoppers, too, like to have a little fun.

Cover illustration and feature stories designed by: Zaneta Butler

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Shoppers know what they want in a supermarket. The challenge for retailers is finding out just what that is.



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Supermarket sales can sizzle with the right combination of food and equipment.

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A new study says the work that consumers perform at home making meals, plus the products they purchase, add up to a huge opportunity for the foodservice industry, including supermarket operations. This comes as "efficiency" becomes the industry's buzzword.

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The marrying of EPS and POS

Honey bunches of hot air



Bob Gatty
Editor

Isn't it wonderful that America's cereal consumers have been saved by those two crusading politicians, Reps. Charles Schumer (D-N.Y.) and Sam Gejdensen (D-Conn.), who double-handedly have forced the big bad food companies into submission?

It sends a warm feeling to your heart to know that such stalwart crusaders are looking out for you and me and this industry's customers.

To listen to these two politicians, they are responsible for the announcement in mid-April by Kraft Foods Inc. that the list prices of the company's Post and Nabisco brands ready-to-eat cereals would be slashed by about 20 percent.

Both congressmen credit a report they issued more than a year ago, which claimed that cereal prices had risen by 90 percent between 1983 and 1994, double the rate of increase of other food prices.

Certainly, that report grabbed headlines, and consumer advocates had a field day. But it wasn't much different than any other publicity exercise, in which most congressmen unfortunately hold graduate degrees.

Naturally, Kraft Foods responded to the report by reducing its prices. It had nothing to do, of course, with competition. The fact that, as the *Wall Street Journal* pointed out, Post's share of the U.S. cereal market has slipped by more than a full percentage point since early last year, and its marketing costs are believed to be higher than competitors' had no bearing on the decision.

Of course not.

Why should a few facts stand in the way of a good story, or of a couple of politicians looking for headlines?

This industry has enough real problems—business and competitive—to deal with, without having to respond to such baloney.

The Grocery Manufacturers of America put it aptly when spokesman Jeffrey Nedelman called the press conference held by the two politicians

"a taxpayer-subsidized election-year publicity stunt."

Certainly, cereal is a good value, and now that Post has found a way to cut prices, it will be even better, assuming that retailers pass the savings on to their customers—which we hope they will do. That should encourage increased sales in the cereal aisle—good for the customer, good for the retailer.

Post acknowledged that most consumers believe cereal prices are too high, and that its action, which also includes a simplification of its cereal coupons, should help ease that problem. Ted Callahan, vice president of marketing strategies for Post, expressed the hope that retailers will "partner" with cereal makers in a unified effort to "re-ignite" the category. Passing on the savings, he said, would show that they are listening to their customers.

**Why should a few facts stand
in the way of a good story,
or of a couple of politicians
looking for headlines?**

Post's primary competitors, Kellogg and General Mills, essentially applauded the action. Kellogg noted it has not raised wholesale prices on cereals in two years, while it has streamlined pricing promotions. General Mills said it lowered prices 11 percent two years ago, and also reduced millions from inefficient promotions.

All of this was done, surprisingly, without the help of either Congressman Schumer or Gejdensen, although it wouldn't be shocking if they found a way to claim credit. Congressman Gejdensen only won his last election campaign by 21 votes two years ago. Maybe if the cereal eaters unite, he'll do a bit better this time. Or maybe they'll figure out what's going on, and those 21 votes will go snap, crackle and pop.

As for Schumer, give the man another bowl of Grape Nuts. ♦

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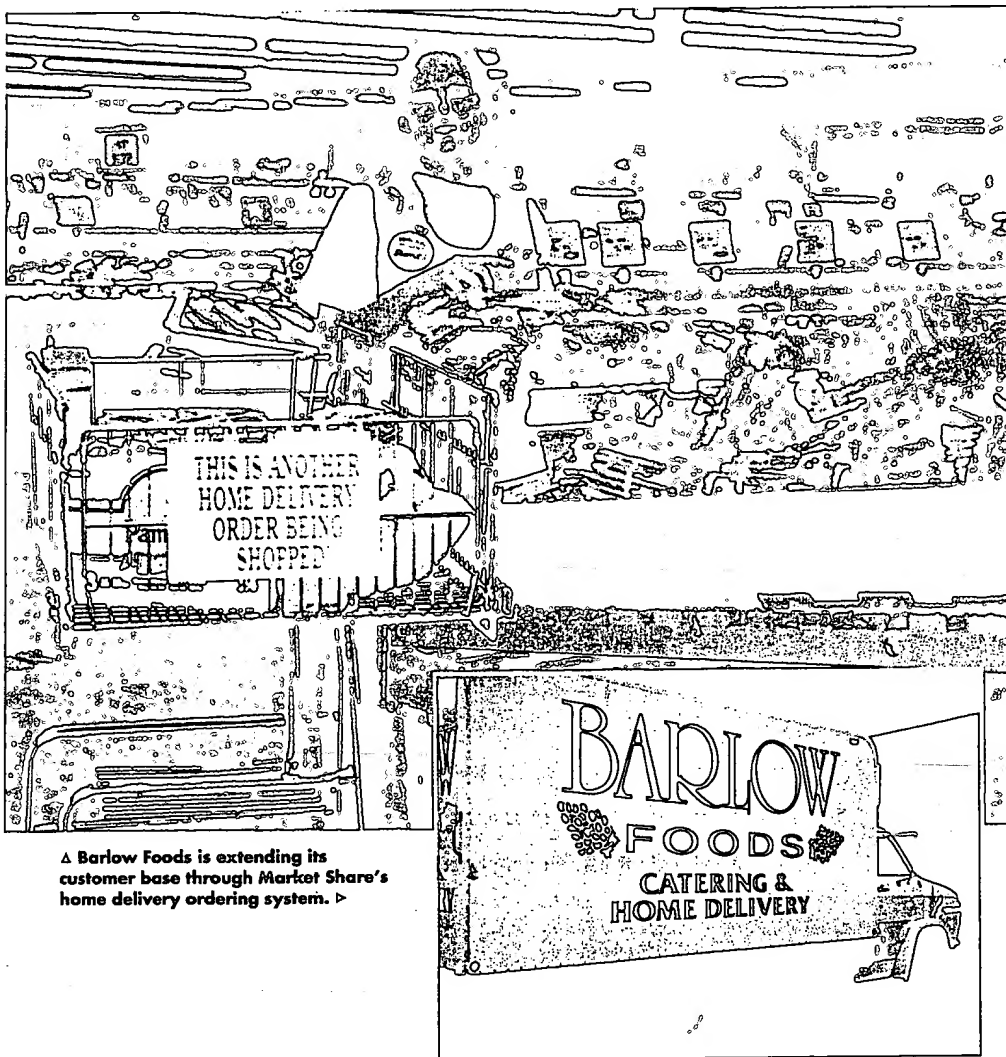
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Grocery Technics

The world of new technology and the grocery industry

A LOW-TECH SOLUTION TO A HIGH-TECH PROBLEM



▲ Barlow Foods is extending its customer base through Market Share's home delivery ordering system. ►

This user-friendly system offers home shopping by phone and fax, with the capability to bridge the gap to on-line use.

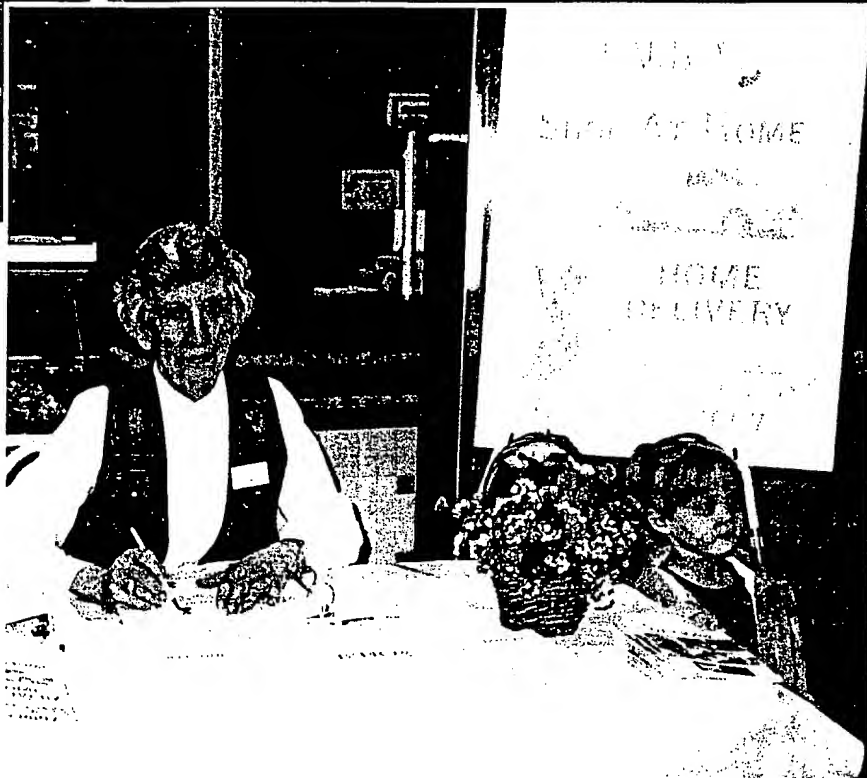
The future of home shopping is a hotly debated issue on which industry experts have focused a lot of attention. On one point most agree: While home shopping is perhaps not a pressing issue at the moment, sometime in the future the supermarket industry will have to step up participation in this arena.

While retailers are cautioned against jumping too quickly onto the computerized, home shopping bandwagon, many are wondering just how they can enter the market without excessive expenses, confusion and fuss.

Statistics vary, but some estimates show only about 4 percent of households use personal computers to order goods and services. Of course, that number is expected to grow consistently into the next century, but for the moment, those consumers who are shopping at home or work are using their telephones and faxes.

Innovative Retail Solutions has introduced a home shopping and delivery system that operates over phone and fax lines or through a computer with on-line capabilities. The program, called Market Share, has several features and expansion capabilities that allow the system to grow and change along with technology.

With an eye on the future, Steve Barlow, president and chief operating offi-



▲ Barlow Foods offers customers a store catalog in a sturdy three-ring binder.

cer of Barlow Foods, Rochester, Minn., brought the Market Share system into his store. The changing society and its increased emphasis on convenience, he said, will make home shopping services a necessity for supermarkets, especially independent operations such as his own.

"I'm the last of the single store operators around here," said Barlow, noting that his 78,000-square-foot store's customer base includes the upper economic community associated with Rochester's Mayo Clinic and IBM's AS400 facility, as well as the rural, agricultural community.

"We're not in a high growth area. If I'm going to expand my trade area, it's easier for me to go out, rather than have them come in," Barlow pointed out. "This removes the burden of location. (We're) selling image instead."

Traditionally, the supermarket industry has operated under the concept of, "If you want to do business with me, you have to come to me." Barlow believes customers "won't put up with that much longer."

He identified three factors that motivate shoppers in the current market:

- freshness of products;
- price and perceived value; and
- time constraints and the ever-increasing search for convenient, time-saving shopping

and dining choices.

"Time is a very strong motivator for customers," and a trait that will grow stronger in the future, noted Barlow. "Down the road, three years maybe, customers are going to ask the retailers to solve their time issues."

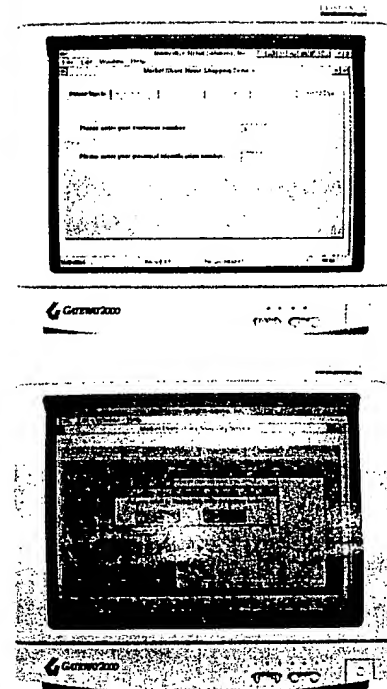
Barlow has been using the Market Share program for about a year. As a test site for I.R.S., Barlow Foods is the first store to run its home delivery system through Market Share.

"Barlow Foods is our beta store," said Judd Kirklin, president and chief operating officer of Minnesota-based I.R.S. The company introduced Market Share at the Food Marketing Institute's technology show, MarketTechnics, last February and has since added Pete's Country Market, Alexandria, Minn., and J.M. Bauersfeld's, Topeka, Kansas, to its customer list.

Market Share runs on a single PC and hooks up with the store's existing system, using scan and stock data to update price lists and discontinued items.

Shoppers can order groceries over the phone by selecting items from a store catalog. The extent of the selection offered in the catalog is up to individual retailers, but the Market Share system can store up to a million different items with six prices per item, per store.

While that's probably more information than either a store or customer needs, Kirklin pointed out the importance of a multi-tiered



▲ Shopping via the Internet is just one of the ordering methods available with Market Share.

network such as Market Share's with its memory and expansion capabilities.

"I don't know for sure what the future holds," said Barlow. With Market Share, he expects to be able to grow with it.

Low-tech shopping

A relatively simple system, Market Share requires shoppers to call a grocery store on a dedicated number and enter a personal identification number. In the basic version of the program, customers use the dial pad to punch in item numbers listed in the catalog and, following a voice prompt, the quantity of each selected item to be received.

Once the ordering process is complete, the shopper is asked to key in the requested date and time of delivery. The order is then read back for verification.

The order prints out at the store in a sim-
Continued on page 58

**TO ALL RETAILERS INCLUDING
FOOD STORES IN CERTAIN MAR-
KETS IN THE FOLLOWING
STATES:**

Alabama, Arizona, Arkansas,
California, Colorado, Connecticut,
Delaware, Florida, Georgia, Idaho,
Illinois, Indiana, Iowa, Kansas,
Kentucky, Louisiana, Maine,
Maryland, Massachusetts, Michigan,
Minnesota, Mississippi, Missouri,
Montana, Nebraska, Nevada, New
Hampshire, New Jersey, New Mexico,
New York, North Carolina, North
Dakota, Ohio, Oklahoma, Oregon,
Pennsylvania, Rhode Island, South
Carolina, South Dakota, Tennessee,
Texas, Utah, Vermont, Virginia,
Washington, Washington D.C., West
Virginia, Wisconsin, Wyoming

IMPACT, a division of ACTMEDIA,
announces the availability of an in-
store coupon flyer and premium pro-
gram for the Post Dream Team Cereal
Event on June 28 - July 13, 1996. An
alternate program is also available for
retailers who do not want an in-store
representative.

For further information on participat-
ing in this event, please write to Mr.
Steven Marquis within 7 days of this
publication at the following address:

Retail Department
301 Merritt 7, P.O. Box 5102
Norwalk, Connecticut 06856-5102

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KETS IN THE FOLLOWING
STATES:**

Alabama, Arizona, Arkansas,
California, Colorado, Connecticut,
Delaware, Florida, Georgia, Idaho,
Illinois, Indiana, Iowa, Kansas,
Kentucky, Louisiana, Maine,
Maryland, Massachusetts, Michigan,
Minnesota, Mississippi, Missouri,
Montana, Nebraska, Nevada, New
Hampshire, New Jersey, New Mexico,
New York, North Carolina, North
Dakota, Ohio, Oklahoma, Oregon,
Pennsylvania, Rhode Island, South
Carolina, South Dakota, Tennessee,
Texas, Utah, Vermont, Virginia,
Washington, Washington D.C., West
Virginia, Wisconsin, Wyoming

IMPACT, a division of ACTMEDIA,
announces the availability of an in-
store coupon and sample program for
the Kraft Cheese Makes It 1996 Event
on the weekend of June 28 - 29, 1996.
An alternate program is also available
for retailers who do not want an in-
store representative.

For further information on participat-
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Norwalk, Connecticut 06856-5102

GroceryTechnics

ple format that includes the customer's
name, address, phone number, delivery time
and date, order number and total number of
pages in the order.

To make item picking easy and efficient,
the orders are grouped according to the aisle
in which they are stocked.

Because the computer in which Market
Share is installed also maintains the store's
main computer information, it can list both
the unit price and total price for each selec-
tion, eliminating the need for pickers to go
through the check-out. The form also
includes space to mark substitutions, provid-
ed the customer has indicated they are
acceptable.

Appearances can be deceiving

For a such a user-friendly system, Market
Share also has complex capabilities that
allow retailers to customize programs to suit
specific needs. Barlow Foods, for example,
has a wide delivery area with customers
calling from as far away as 30 miles, making
delivery schedules difficult to manage.

The store's system, then, can be pro-
grammed to accept deliveries for the West-
ern region on Mondays and Tuesdays, for
example, the Eastern region on Wednesdays
and Thursdays, and so on, thus solving the
problem of scattered sites and delivery
errors.

Market Share also has a multitude of use-
ful features including: prices that reflect in-
store and advertised specials; restricted
delivery to non-qualified customers; alterna-
tive product designations for discontinued
items; tracking by order number; order
review and modification capabilities that
can be performed at any time; and a quanti-
ty order limit that informs customers of
possible excessive ordering.

Options include voice-activated and fax-
back systems. Barlow Foods recently added
the voice-activation option, which frees cus-
tomers from having to key in numbers.

While these options are important for
improving customer service, as Barlow
pointed out, most users don't care about the
technological details.

"People want to know: Does the truck
show up on time, is the ice cream still hard,
does the meat still have a bloom on it? Peo-
ple don't care how (the program) is driven,
they just want to use it."

Market Share also accommodates frequent
shopper programs, awarding special prices
and points where necessary. Another option
wishes customers happy birthday and pro-
vides a free gift with their order.

According to Kirklin, updating informa-
tion is a "half-hour to 45-minute process
once a week," and requires minimal mainte-

nance. "Every evening it brings itself down,
cleans up the files and boots up again."

The complete system includes both the
hardware and the software necessary to
process phone orders. In addition, I.R.S.
provides in-house training. Kirklin recom-
mended retailers train several staff members
to ensure there is always a knowledgeable
person on staff.

Catalog styles and costs are determined
by individual retailers. Barlow Foods, for
example, has produced an extensive catalog
in a three-ring binder, for which customers
are charged \$10. This fee is eventually
paid back in services such as delivery
charges. The fee, explained Barlow, is sim-
ply a precaution against customers taking
the catalog and not using it.

Another possible way to defer catalog
costs is through advertisers. While offering
no specifics, Barlow said the store has asked
vendors to help offset costs.

What about on-line shopping?

At Barlow Foods, "very, very few people
fax us," Barlow said, and the store does not
offer on-line shopping—yet.

According to Kirklin, those retailers who
choose to incorporate the on-line shopping
option "have unlimited license to provide
the software free to customers."

"There just isn't a big base out there yet,"
Barlow said, recognizing, though, its future
potential. "We'll grow into it, but I thought
it was important to be first." ♦

Innovative Retail Solutions Inc. 507/637-2343

TECH NOTES

CALAVO GROWERS INSTITUTES WEB SITE

Calavo Growers of California recently inau-
grated a World Wide Web site featuring
tidbits of Calavo history mingled with
advertising copy and art from the past.
The site offers information and updates
about Calavo; customer information
about fresh avocado products and ser-
vices; a "guest book" for people to leave
their name, address and comments; and
an "About Us" section that describes Cala-
vo and its products and organization.

The Web site is designed to improve
customer communications, customer edu-
cation, brand marketing, consumer adver-
tising, brand awareness and brand educa-
tion. Calavo is planning to expand the site
to include grower communications and
information and international communi-
cations. Calavo's Web site address is:
<http://calavo.com>. ♦

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